

Senate Study Bill 3298

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BY
CHAIRPERSON BOLKCOM)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to the property tax exemption for speculative
2 shell buildings and including effective and retroactive
3 applicability date provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 6673SC 82
6 sc/nh/8

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1 1 Section 1. Section 427.1, subsection 27, Code Supplement
1 2 2007, is amended to read as follows:
1 3 27. a. SPECULATIVE SHELL BUILDINGS OF CERTAIN
1 4 ORGANIZATIONS. New construction of shell buildings by
1 5 community development organizations, not=for=profit
1 6 cooperative associations under chapter 499, or for=profit
1 7 entities for speculative purposes or the portion of the value
~~1 8 added to buildings being reconstructed or renovated by~~
~~1 9 community development organizations, not=for=profit~~
~~1 10 cooperative associations under chapter 499, or for=profit~~
~~1 11 entities in order to become speculative shell buildings as~~
~~1 12 provided in this subsection.~~
1 13 b. The exemption shall be for one of the following:
1 14 (1) The value added by new construction of a shell
1 15 building or addition to an existing building or structure by a
1 16 community development organization, not=for=profit cooperative
1 17 association under chapter 499, or for=profit entity.
1 18 (2) The value of an existing building being reconstructed
1 19 or renovated, and the value of the land on which the building
1 20 is located, if the reconstruction or renovation constitutes
1 21 complete replacement or refitting of the existing building or
1 22 structure, by a community development organization,
1 23 not=for=profit cooperative association under chapter 499, or
1 24 for=profit entity.
1 25 c. The exemption or partial exemption shall be allowed
1 26 only pursuant to ordinance of a city council or board of
1 27 supervisors, which ordinance shall specify if the exemption
1 28 will be available for community development organizations,
1 29 not=for=profit cooperative associations under chapter 499, or
1 30 for=profit entities and. If the exemption is for a project
1 31 described in paragraph "b", subparagraph (1), the exemption
1 32 shall be effective for the assessment year in which the
1 33 building is first assessed for property taxation or the
1 34 assessment year in which the reconstruction or renovation
1 35 addition to an existing building first adds value and. If the
2 1 exemption is for a project described in paragraph "b",
2 2 subparagraph (2), the exemption shall be effective for the
2 3 assessment year following the assessment year in which the
2 4 project commences. An exemption allowed under this subsection
2 5 shall be allowed for all subsequent years until the property
2 6 is leased or sold or for a specific time period stated in the
2 7 ordinance or until the exemption is terminated by ordinance of
2 8 the city council or board of supervisors which approved the
2 9 exemption. Eligibility for an exemption as a speculative
2 10 shell building shall be determined as of January 1 of the
2 11 assessment year. However, an exemption shall not be granted a
2 12 speculative shell building of a not=for=profit cooperative
2 13 association under chapter 499 or a for=profit entity if the
2 14 building is used by the cooperative association or for=profit
2 15 entity, or a subsidiary or majority owners thereof for other
2 16 than as a speculative shell building. If the shell building
2 17 or any portion of the shell building is leased or sold, the

2 18 portion of the shell building which is leased or sold, and a
2 19 proportionate share of the land on which it is located if
2 20 applicable, shall not be entitled to an exemption under this
2 21 subsection for subsequent years. ~~An application shall be~~
2 22 ~~filed pursuant to section 427B.4 for each project for which an~~
2 23 ~~exemption is claimed.~~ Upon the sale of the shell building,
2 24 the shell building shall be considered new construction for
2 25 purposes of section 427B.1 if used for purposes set forth in
2 26 section 427B.1.

2 27 d. (1) If the speculative shell building project is a
2 28 speculative shell building project described in paragraph "b",
2 29 subparagraph (1), an application shall be filed pursuant to
2 30 section 427B.4 for each such project for which an exemption is
2 31 claimed.

2 32 (2) If the speculative shell building project is a
2 33 speculative shell building project described in paragraph "b",
2 34 subparagraph (2), an application shall be filed by the owner
2 35 of the property with the local assessor by February 1 of the
3 1 assessment year in which the project commences. Applications
3 2 for exemption shall be made on forms prescribed by the
3 3 director of revenue and shall contain information pertaining
3 4 to the nature of the improvement, its cost, and other
3 5 information deemed necessary by the director of revenue. The
3 6 city council or the board of supervisors, by ordinance, shall
3 7 give its approval of a tax exemption for the project if the
3 8 project is in conformance with the zoning plans for the city
3 9 or county. The approval shall also be subject to the hearing
3 10 requirements of section 427B.1. Approval under this
3 11 subparagraph (2) entitles the owner to exemption from taxation
3 12 beginning in the assessment year following the assessment year
3 13 in which the project commences. However, if the tax exemption
3 14 for the building and land is not approved, the person may
3 15 submit an amended proposal to the city council or board of
3 16 supervisors to approve or reject.

3 17 e. For purposes of this subsection the following
3 18 definitions apply:

3 19 a. (1) (a) "Community development organization" means an
3 20 organization, which meets the membership requirements of
3 21 subparagraph (2) ~~subdivision (b)~~, formed within a city or
3 22 county or multicommunity group for one or more of the
3 23 following purposes:

3 24 (a) (i) To promote, stimulate, develop, and advance the
3 25 business prosperity and economic welfare of the community,
3 26 area, or region and its citizens.

3 27 (b) (ii) To encourage and assist the location of new
3 28 business and industry.

3 29 (c) (iii) To rehabilitate and assist existing business and
3 30 industry.

3 31 (d) (iv) To stimulate and assist in the expansion of
3 32 business activity.

3 33 (2) (b) For purposes of this definition, a community
3 34 development organization must have at least fifteen members
3 35 with representation from the following:

4 1 (a) (i) A representative from government at the level or
4 2 levels corresponding to the community development
4 3 organization's area of operation.

4 4 (b) (ii) A representative from a private sector lending
4 5 institution.

4 6 (c) (iii) A representative of a community organization in
4 7 the area.

4 8 (d) (iv) A representative of business in the area.

4 9 (e) (v) A representative of private citizens in the
4 10 community, area, or region.

4 11 b. (2) "New construction" means new buildings or
4 12 structures and includes new buildings or structures which are
4 13 constructed as additions to existing buildings or structures.
4 14 "New construction" also includes reconstruction or renovation
4 15 of an existing building or structure which constitutes
4 16 complete replacement of an existing building or structure or
4 17 refitting of an existing building or structure, if the
4 18 reconstruction or renovation of the existing building or
4 19 structure is required due to economic obsolescence, if the
4 20 reconstruction or renovation is necessary to implement
4 21 recognized industry standards for the manufacturing or
4 22 processing of products, and the reconstruction or renovation
4 23 is required in order to competitively manufacture or process
4 24 products or for community development organizations,
4 25 not-for-profit cooperative associations under chapter 499, or
4 26 for-profit entities to market a building or structure as a
4 27 speculative shell building, which determination must receive
4 28 prior approval from the city council of the city or county

4 29 board of supervisors of the county.

4 30 ~~c-~~ (3) "Speculative shell building" means a building or
4 31 structure owned and constructed or reconstructed by a
4 32 community development organization, a not-for-profit
4 33 cooperative association under chapter 499, or a for-profit
4 34 entity without a tenant or buyer for the purpose of attracting
4 35 an employer or user which will complete the building to the
5 1 employer's or user's specification for manufacturing,
5 2 processing, or warehousing the employer's or user's product
5 3 line.

5 4 Sec. 2. EFFECTIVE AND APPLICABILITY DATES. This Act,
5 5 being deemed of immediate importance, takes effect upon
5 6 enactment and applies retroactively to January 1, 2007, for
5 7 projects approved by a city council or board of supervisors
5 8 prior to that date. Claims for exemption for the 2007 or 2008
5 9 or 2009 assessment year shall be filed with the appropriate
5 10 governing body on or before October 1, 2008.

5 11 EXPLANATION

5 12 Current law provides a property tax exemption for
5 13 construction, reconstruction, or renovation of a building as a
5 14 speculative shell building. The exemption is available in
5 15 those cities and counties that have adopted an ordinance
5 16 allowing the exemption. Current law also provides that the
5 17 exemption begins in the assessment year that the speculative
5 18 building is first assessed for taxation or the assessment year
5 19 in which the reconstruction or renovation first adds value.

5 20 This bill provides that the exemption may begin in the
5 21 assessment year following the assessment year in which the
5 22 reconstruction or renovation commences if it involves complete
5 23 replacement or refitting of an existing building or structure.
5 24 The bill further provides that the exemption for such a
5 25 project would be for the building being renovated and the land
5 26 on which the building is located.

5 27 The bill takes effect upon enactment and applies
5 28 retroactively to January 1, 2007, for projects approved prior
5 29 to that date. The bill also provides that claims for
5 30 exemption for the 2007 or 2008 or 2009 assessment year must be
5 31 filed with the appropriate local governing body on or before
5 32 October 1, 2008.

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